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October 1, 1945

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Mr. Acheson:

I submit herewith a report on certain organizational matters of current interest and importance for the purposes of your discussions with the Secretary upon his return:

(A) General.

In the early part of September I submitted to the Secretary of State a rewritten version of the Bureau of the Budget's recommendations on reorganization. This version included my own views, which had been thoroughly discussed with the Bureau of the Budget. The officers of the Budget who had written the original report agreed with me in most, although not all, of my revisions. It was decided to consider this rewritten version my report rather than their own. Attached to the report was a memorandum recommending that the report be considered a guide, a sort of general policy manual, for future structural changes within the Department. It was recommended that not all the measures in the report be effected immediately but that they be picked out one by one, considered separately, and instituted as the time and circumstances seemed appropriate.

(B) Intelligence.

Attached is a copy of a directive for Colonel McCormack, Special Assistant to the Secretary of State for Research and Intelligence, which outlines the progress that has been made, and the future plan for the development of a research and intelligence agency within the Department.

(C) Administration.

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Organizational matters

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I feel very strongly that the Office of Departmental Administration and the Office of the Foreign Service should be merged, as recommended by the Bureau of the Budget, and reorganized on a functional basis. At present we have separate personnel offices, separate budget offices, and other separate offices for the Departmental and Foreign Service areas. These should be combined in such a way that we would have one office to handle all personnel, one to handle all budget and fiscal matters, one to handle all administrative management and one to handle all central services. In discussions which have taken place between Mr. Acheson, other officers of the Department, and myself, it has been decided that the wiser course would be not to place these administrative offices within the office of the Secretary of State, as outlined in the reorganization report, but rather to leave them under the Assistant Secretary for Administration as now designated.

There are numerous problems attendant upon this feature of the reorganization, especially since most members of the Foreign Service will oppose any measure which deprives them of an exclusive organization within the Departmental structure. The fact remains, however, that the present organization is unsound. It is not productive of harmony to have parallel organizations working in the same functional field.

In order that the fusion take place with a minimum of dislocation and ill feeling, I believe that the Assistant Secretary for Administration should create a reorganization board whose function it would be to recommend successive steps of this feature of the reorganization. The board should have both foreign and departmental officers as members, and representation should be Department-wide rather than limited to officers now serving under the Assistant Secretary for Administration.

Under the administrative reorganization, there should be no attempt at this time to eliminate suddenly the distinction between Foreign Service and Departmental personnel; rather the affairs of the

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two services should be handled in joint offices so that the breach existing between them can be narrowed and so that policy matters affecting the two services can be as closely harmonized as possible. In this same connection, I have had the Office of the Foreign Service prepare a memorandum which proposes the eventual combination of Departmental personnel on the officer level and Foreign Service personnel. This combination would take place gradually over a period of about ten years, with the final result that we should have a permanent State Department service, all of whose officers would be available for duty both at home and abroad. The only employees of the Department who would not be members of this service would be members of a permanent Department administrative service, consisting of experts on such matters as personnel, budget, et cetera.

This plan for eventual combination of the services has been drafted by the Foreign Service alone, and no Departmental view has been expressed upon it. It should be turned over to the administrative reorganization board for study along with the steps to be taken in consolidating the administrative offices of the Department.

The reorganization of the administrative offices should not be effected until the Budget for the next fiscal year has been compiled and submitted, since that project is too far along at the present time to have its basis of construction shaken up.

(D) Coordinating Machinery in the Secretary's Office.

At the same time we discussed reorganization of the administrative offices under the Assistant Secretary for Administration, Mr. Acheson, certain other officers of the Department and I agreed generally that there should be established in the offices of the Secretary and Under Secretary a coordinating agency. The following paragraphs which were included in the memorandum I submitted along with the rewritten reorganization plan are pertinent. When these paragraphs were written it was anticipated that both the administrative and coordinating functions would be

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centered in one office directly under the Under Secretary. Since it is now believed advisable for the administrative offices to remain under the Assistant Secretary for Administration, these paragraphs have been somewhat amended as regards designation. They refer to the functions of a Deputy Under Secretary, who would be a coordinating officer only.

"The State Department is perhaps at its weakest in the field of coordination, I believe because no individual is at present specifically charged with the responsibility for:

"(1) Seeing that action is assigned in the case of each message arriving in the Department or problem arising in the Department.

"(2) Seeing that each interested agency is informed of pending problems, and eventually of action taken on each problem.

"(3) Checking action to make sure that it is taken, and in a reasonable time.

"(4) Assuring that no problem is presented to the Under Secretary and the Secretary except after all interested parties have had an opportunity to express their views.

"The first essential in achieving proper coordination is the establishment of an efficient message center. Each message received in the Code Room should be immediately handed to the message center for reproduction. The Executive for Message Control, under the direct supervision of the Deputy Under Secretary, should decide what organizational unit within the Department has primary responsibility for action and should so indicate this on the message. Copies of the message should be immediately dispatched to all Assistant Secretaries, and Special Assistants having secondary interest. It then becomes the duty of the Assistant Secretary or Special Assistant to whom action is assigned to initiate work on the problem presented and to check with all other interested Assistant Secretaries or Special Assistants before taking action or before recommending a solution to the Under Secretary or the Secretary if this be

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necessary. It should be the duty of the Executive for Message Control to fix suspense dates and to follow through for the purpose of seeing that prompt action is taken.

"A further function of the Deputy Under Secretary and his functionaries, should be to inspect every paper presented to the Under Secretary and/or the Secretary to make certain that the essential coordination has been achieved, both within and without the State Department. He must also maintain a close check on oral decisions of the Under Secretary and the Secretary with free access to their offices for this purpose. Once policy is made, he becomes its custodian, in order that he may keep from the Under Secretary and the Secretary problems which he knows to have been resolved in previous actions by these officers.

"The Executive for Message Control should maintain a daily log which presents a summary of all important incoming and outgoing messages so that the Under Secretary and the Secretary may be fully informed as to what business is being conducted within the Department and who is responsible for the action on each item. Only if the Deputy Under Secretary and his staff are physically located between the Secretary and the Under Secretary, and only if they are taken into the full confidence of these officers, can he perform his function of recording policy and protecting the Secretary and the Under Secretary from having to give consideration to non-policy matters.

"Thus, in a sense, the Deputy Under Secretary stands between the Secretary and the Under Secretary, and the Assistant Secretaries and Special Assistants. He should not be a policy maker but rather a policy coordinator. He should not attempt to influence the actions of the Assistant Secretaries and Special Assistants, but rather he should be fully familiar with their activities. If two Assistant Secretaries or Special Assistants come to the Under Secretary with divergent views the Assistant Secretary for administration should have no authority in respect to the solution adopted but should only be informed on it.

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"Through firm refusal to refer to the Secretary any matter which has not been fully considered by all concerned, he can contribute largely to the establishment of a doctrine of cross-coordination within and without the Department which will give his superiors the benefits of the broadest possible advice on all subjects which come before him."

A separate paper on the details of the establishment of a coordinating office under the Deputy Under Secretary is now being prepared.

(E) Economic Affairs.

Mr. Acheson and I have had some discussion regarding a division of Mr. Clayton's responsibilities so that there would be designated a separate Special Assistant or Assistant Secretary for Transportation and Communications. I understand that Mr. Acheson will discuss this with Mr. Clayton. In the meantime, Mr. Clayton's office is in the process of absorbing those parts of the Foreign Economic Administration and the Army and Navy Liquidation Commission which have been transferred to it by Executive Order.

McCarthy

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